

Preface

This project started 7 years ago as part of my Ph.D. thesis. The project's initial aim was to explore the causes of the global financial crisis and its impact on and restructuring of the national and international financial architecture. I was particularly intrigued by popular discussions about the role that consumers played in the financial crash. Specifically, discussions and regulatory discourses about how consumers were seen increasingly as integral parts of the financial system and as significant for its “proper” function. As such, there was a growth in calls to regulate consumer behaviour in the financial services market.

In the course of my research, I have discovered that such calls resulted in and often manifested themselves through the proliferation of consumer financial education programmes. Consumer education in prudent and measured risk-taking and risk management became one of the most popular regulatory responses in dealing with increased household vulnerability to and dependence on financial markets.

However, that is not to suggest that other regulatory measures were not considered or indeed adopted. In the UK, for example, in addition to financial education programmes, financial regulators deployed different

regulatory tools aimed at strengthening consumer ability to navigate financial markets safely and effectively.

For example, measures such as the law authorising automatic pension enrolment were passed to address some well-documented behavioural heuristics that affect consumers' ability to save enough for their retirement. Also, financial advice given to consumers when entering into major financial transactions (such as getting a mortgage) was made mandatory. The UK financial regulator believed that this would protect consumers from aggressive selling practices employed by some financial institutions and curb consumer excessive risk-taking. Even consumer access to credit was tightened to make sure that those who lacked financial resilience would not expose themselves to additional financial risks and strains. All of these measures were quite popular not only in the UK but also internationally.

Yet, such measures did not seem to address the very foundations of consumer vulnerability—the increasing consumer dependence on highly unstable and volatile financial markets and consumer individualisation of financial risk-taking (the problems that were so insightfully documented and explained by a number of great legal scholars with whom I was fortunate to have productive conversations over a number of years: Toni Williams, Kate Bedford, Iain Ramsay, Iain Frame, Donatella Alessandrini and Paddy Ireland). At this point in my research I changed my focus away from explaining the causes of the financial crisis to understanding how and why consumer financial education became such an important regulatory tool in financial markets. Essentially, I wanted to explore how and if consumer financial education would be able to respond to and address various consumer vulnerabilities in the financial services market. Unfortunately, I discovered a number of serious limitations to this regulatory novelty. To my surprise, these limitations were neither widely discussed in legal scholarship nor were they clearly identified by regulators and policy makers.

Thus one of the key tasks of this book was to list and interrogate some of these limitations and to start a serious conversation about consumer financial education and its regulatory potential. In other words, this book never attempted to make any normative claims about the value of financial education or the usefulness of being financial savvy. In

principle, there is no or significant harm in knowing more about and understanding money and finance. However, the situation is materially different when specific regulatory expectations are attributed to consumers through financial education programmes. It is my contention that financial education projects create a regulatory illusion that consumer decision-making can be controlled in desirable ways. Yet it sidelines other, possibly more effective, measures of consumer protection.

Second, the book sought to explain why consumer financial education became such a popular regulatory measure. To do so, I explored the historical development of financial literacy education in the UK and discovered its close links to the neoliberal order, its effects, and modes of governance. In that, financial literacy education was often presented as an effective measure for those who were “left behind” by the processes and practices of privatisation, financialisation and securitisation. Yet other and possibly more effective regulatory measures were not given serious thought and consideration.

While this book has not suggested any specific alternative regulatory models (as this would be too much of a colossal task for one project), I sincerely hope that future research will. However, the limitations to financial education documented in this book could be a useful guide in thinking about possible alternatives. For example, a regulatory focus on abusive and exploitative product selling practices by financial firms could potentially have a much more significant impact on consumer excessive risk-taking. Similarly, consumer vulnerability and susceptibility to the fluctuations of the financial market could be reduced or at least reasonably managed if regulatory attention was directed towards supporting and sustaining the socio-economic structures on which consumers rely. For instance, developing or expanding programmes and financial assistance for the unemployed; investing in skills training and requalification programmes; extending financial support to the most vulnerable groups of consumers such as single parents, low-skilled workers, including low-skilled migrant workers and the disabled.

Some countries have indeed followed a much more socially inclusive restructuring of the socio-economic and economic-political order. As Jane Kelsey demonstrates in her work, Iceland is perhaps one of the most vivid examples of this type of restructuring. Socially redistribute

programmes and practices were implemented by the feminist-led government (throughout the 1990s and 2000s, up to 2013) to build a more socially equal and just society in Iceland.

These are just a few suggestions as to how regulatory measures could be designed to have a materially positive impact over the financial, social and economic well-being of consumers. Further comparative research in this field could explore how regulatory measures other than financial literacy education provide better support and protection for consumers.

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Yours truly,
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